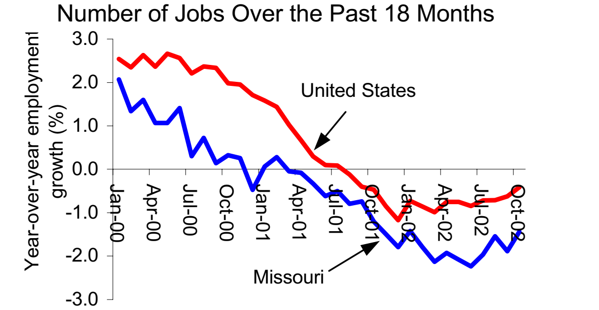
FDIC State Profile

WINTER 2002

Missouri

The Missouri economy lost jobs at a faster rate than the nation during the recession.

- The Missouri economy began losing jobs in the first quarter of 2001, four months before the nation. Employment contraction also has been more severe than experienced nationally (see chart).
- More than 12,000 jobs were lost in mass layoffs during 2001, with manufacturing accounting for 62 percent of the total. The retail sector also lost a significant number of jobs.
- While statewide unemployment peaked at 5.5 percent in June 2002 and declined to 4.5 percent by October, 17 counties with heavy concentrations of manufacturing employment continue to report unemployment that exceeds 6 percent. In addition, statewide employment continues to decline at a rate of nearly 1.5 percent per year.

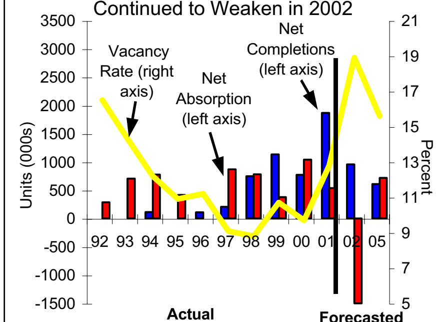


The Missouri Economy Has Lost a Significant Number of Jobs Over the Past 18 Months

Source: Bureau of Labor Statistics

Office markets have softened significantly in St. Louis and Kansas City.

- Office vacancy rates rose from 11.7 percent in third quarter 2001 to 17.7 percent in third quarter 2002 in the *St. Louis* metropolitan area (see chart). Significant continuing completions and negative net absorption caused by office staff reductions have contributed to the increase in vacancy rates.
- The *Kansas City* metro area office market weakened considerably in 2001, but has stabilized with vacancy rates declining during the past two quarters. However, vacancy rates of 17.2 percent are almost twice the 9.8 percent vacancy rate of two years ago.

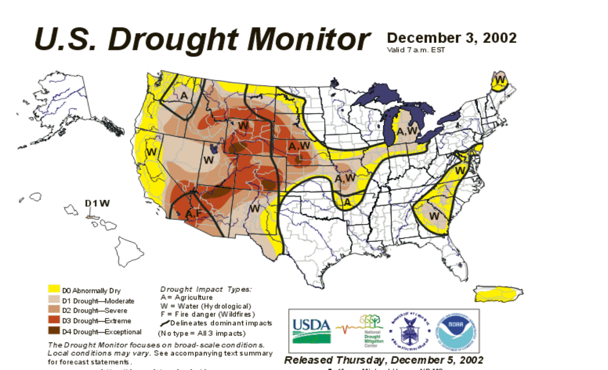


St. Louis's Office Market Continued to Weaken in 2002

Source: Torto Wheaton Research

Missouri's agricultural sector has been moderately stressed by the drought of 2002.

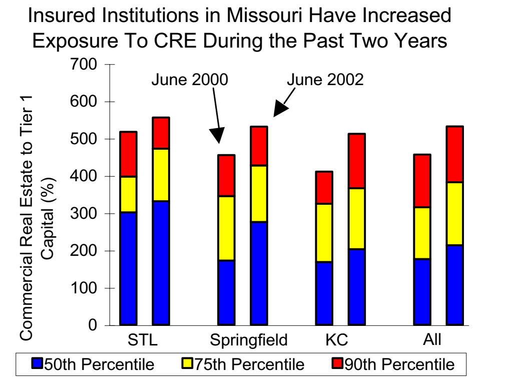
- Moderate drought conditions adversely affected farmers in the western part of the state (see map).
- Because of diminished rainfall, corn production was 22 percent below the previous year's level and soybean production was down 17 percent.
- Cattle production was also disrupted, as shortage of hay and pasture forced ranchers to sell cattle at low prices and liquidate breeding stock.



Drought Conditions Persist in Missouri

Softening commercial real estate markets are a concern to metropolitan commercial lenders headquartered in Missouri.

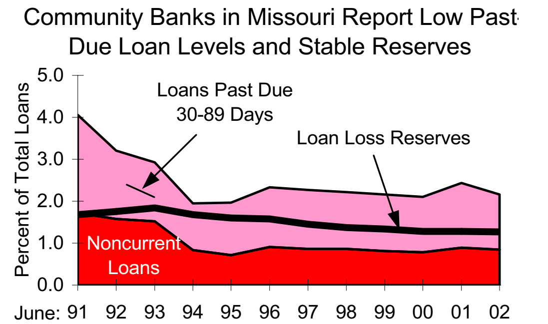
- Many insured institutions in Missouri's largest metropolitan markets have increased reliance on commercial real estate (CRE) loans during the past two years.
- This increased exposure has come as metropolitan CRE markets, most notably office and industrial, softened considerably.
- Problems in commercial real estate markets have not adversely affected insured institution credit quality. As of June 2002, the median loan delinquency ratio was 1.6 percent, although 10 percent of institutions reported delinquency ratios exceeding 5 percent.



Source: Bank and Thrift Call Reports

Community banks headquartered in Missouri report sound asset quality despite the economic slowdown.

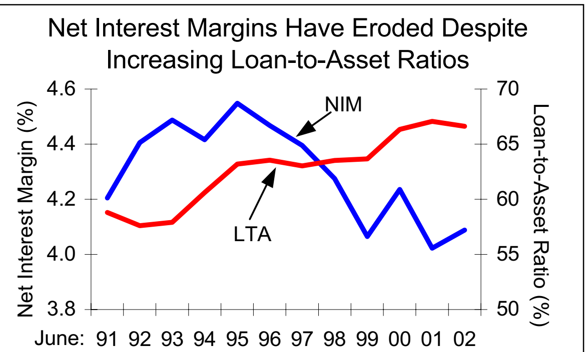
- Noncurrent and past-due loan levels remain moderate and have not risen notably in most insured institutions.
- Loan loss reserve levels have declined in proportion to total loans, but are stable relative to the level of problem loans.



Source: Bank Call Reports, commercial banks with assets less than $250 million headquartered in Missouri, excluding de novos and specialty banks

Community banks continue to face challenges in maintaining net interest margins.

- Net interest margins (NIMs) declined steadily in the 1990s because of strong and increasing loan and funding competition, as well as depopulation trends in rural areas.
- Recent NIM fluctuations, both positive and negative, are attributable to Federal Reserve interest rate actions, and do not signal an end to the NIM erosion.
- Generally, banks that accept greater credit risk by making more loans are rewarded with higher NIMs. However, this did not hold true in the 1990s, as community bank NIMs declined despite the dramatic increases in loan-to-asset (LTA) levels (see chart).
- Economic slowdowns typically result in declining LTA ratios, and community bank NIMs could be pressured downward should LTA levels revert to historically normal levels.



Source: Bank Call Reports, commercial banks with assets less than $250 million headquartered in Missouri, excluding de novos and specialty banks

Missouri at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98
Institutions (#)	385	391	403	422	439
Total Assets (in thousands)	75,416,467	71,144,808	88,053,549	86,796,381	70,210,281
New Institutions (# < 3 years)	11	16	20	20	16
New Institutions (# < 9 years)	36	35	32	28	22
Capital					
Tier 1 Leverage (median)	8.87	8.91	8.93	8.92	9.10
Asset Quality					
Past-Due and Nonaccrual (median %)	1.87%	2.11%	1.77%	1.73%	1.85%
Past-Due and Nonaccrual ≥ 5%	38	47	29	44	39
ALLL/Total Loans (median %)	1.19%	1.19%	1.20%	1.23%	1.21%
ALLL/Noncurrent Loans (median multiple)	1.77	1.62	2.07	2.45	2.13
Net Loan Losses/Loans (aggregate)	0.23%	0.25%	0.19%	0.17%	0.22%
Earnings					
Unprofitable Institutions (#)	15	25	17	18	17
Percent Unprofitable	3.90%	6.39%	4.22%	4.27%	3.87%
Return on Assets (median %)	1.06	1.00	1.05	1.05	1.12
25th Percentile	0.69	0.65	0.74	0.70	0.80
Net Interest Margin (median %)	4.02%	3.88%	4.15%	4.02%	4.16%
Yield on Earning Assets (median)	6.66%	8.05%	8.08%	7.69%	8.07%
Cost of Funding Earning Assets (median)	2.71%	4.21%	3.97%	3.76%	3.99%
Provisions to Avg. Assets (median)	0.13%	0.12%	0.12%	0.09%	0.08%
Noninterest Income to Avg. Assets (median)	0.55%	0.53%	0.52%	0.52%	0.53%
Overhead to Avg. Assets (median)	2.66%	2.66%	2.73%	2.67%	2.69%
Liquidity/Sensitivity					
Loans to Deposits (median %)	80.20%	79.65%	80.87%	74.56%	72.57%
Loans to Assets (median %)	67.60%	67.50%	67.77%	63.76%	62.91%
Brokered Deposits (# of Institutions)	51	46	34	32	35
Bro. Deps./Assets (median for above inst.)	1.56%	1.06%	0.97%	1.38%	1.19%
Noncore Funding to Assets (median)	15.23%	15.52%	15.67%	12.96%	11.47%
Core Funding to Assets (median)	73.02%	73.19%	73.37%	76.14%	77.21%
Bank Class					
State Nonmember	261	266	275	289	310
National	46	46	49	50	49
State Member	43	42	39	39	38
S&L	18	18	20	23	26
Savings Bank	16	18	18	20	15
Mutually Insured	1	1	2	1	1

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	236	24,069,191	61.30%	31.92%
St Louis MO-IL	54	18,829,267	14.03%	24.97%
Kansas City MO-KS	54	25,925,963	14.03%	34.38%
Springfield MO	24	3,729,917	6.23%	4.95%
Joplin MO	8	1,191,431	2.08%	1.58%
St Joseph MO	5	269,633	1.30%	0.36%
Columbia MO	4	1,401,065	1.04%	1.86%

Source: Bank and Thrift Call Reports